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Pope: UEP has done 'remarkable things'.(Special Report: Profile)(United Egg Producers)(Interview)

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HE recalled that his first several years at the United Egg Producers (UEP) were like "the Wild West," with UEP representing some 8,000 producers, each one with his own agenda, and board of directors meetings every month that would go until midnight.

However, Al Pope, UEP chief executive officer and president, held the top management position at the organization for 32 years before retiring at the end of January--only the third CEO of the egg industry trade group.

Pope, in an interview with Feedstuffs at the International Poultry Exposition, had been a vice president for a grocery wholesale association in Chicago, Ill., setting up seminars and workshops about distribution, transportation, warehousing and other topics when he heard of the opening at UEP, which he took on Aug. 1, 1974. He succeeded Jerry Faulkner and Gene Masters, both of whom had two-year terms.

UEP sprung from a group of egg producers who met in 1968 and talked about creating an organization that could represent producers with a unified voice to address industry issues, especially disastrous price cycles. UEP was organized as a Capper-Volstead cooperative with five regional cooperatives that sent delegates to UEP's board of directors.

Back then, Pope said, UEP was cumbersome and inefficient, with five regional boards, five regional managers and five regional offices and decisions that had to go through all five.

Things are different today, he said, noting that consolidation has shrunk the egg industry to about 200 producers, and in 1999, reorganization closed the regionals and made UEP a direct-membership organization. Over time, UEP has accomplished "some pretty remarkable things, he said.

Major turning point

Over that time, the egg industry also has restructured in several important ways, Pope said. In the 1950s and 1960s, egg production was concentrated in the southeastern U.S., where producers put up cheap houses and utilized regulated railroads to bring in and feed grain and ship eggs all over the country.

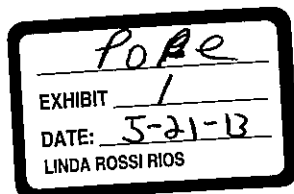
However, as railroads were deregulated and the National Egg Pricing Study Committee led to the establishment of the Egg Clearinghouse Inc. in 1970, southeastern producers lost many of their advantages over midwestern producers, and a lot of production moved to the Midwest.

In the '80s and '90s, producers started building environmentally controlled housing and huge, integrated complexes with housing that was "in line" to plants, and as integrators strove for more and more efficiency, less-competitive producers were forced to exit the business, especially in price swings where the downsides remained vicious.

The industry operates within a free-enterprise system, "not a protected market," Pope said. "I'm not saying it should be (a protected market). It's just that you've got to be competitive; you've got to be efficient, or you're not going to be there."

The egg industry is a classical example of that, he said.

Also in the '80s and '90s, the breaking and further-processing sector started to grow, with breakers buying eggs from commercial (or shell-egg) producers, taking eggs off their hands during periods of surplus supplies and weak prices.



However, breakers contracted liquid, powder and other products to their customers at fixed prices on long-term agreements, which meant they were constantly getting burned on the upside of the shell-egg market when they had to buy eggs at higher prices while their own prices remained unchanged.

[ILLUSTRATION OMITTED]

In response, breakers began putting in their own flocks and building their own in-line complexes, giving them control of their costs and prices, as well as quality.

This development continues to grow, Pope said, and commercial producers are fighting even harder for market share, with cyclical downsides lasting longer and longer. "It's a situation where prices are very, very bad and then very, very good, but it's causing a painful adjustment for the industry" and pushing even more consolidation, he said.

It was a painful situation for UEP, too, he said. "There we were with the shell side and the processed side and UEP in the middle," Pope said. UEP needed to do something to unify the industry.

What happened was a restructuring in 1999 led by the midwestern regional in which the regionals voted to close and convert UEP to direct membership with a board of egg producer members rather than regional delegates. "That was a major turning point for us," Pope said.

UEP put together an effective committee structure to evaluate issues, decision-making to act on those issues became faster and far more efficient and discussions became far less argumentative. The reorganization was instrumental to what was to come, Pope said.

More than 90% of all egg producers today belong to UEP.

Harmonious page

Pope listed a number of accomplishments in which he was involved, starting with "my selection of outstanding people (for the UEP staff) who have done outstanding things for this industry."

In the mid-1980s, egg demand was seriously threatened by egg consumption's association with coronary disease, which even respected heart health researchers and medical professionals were making, connecting dietary cholesterol in eggs to serum cholesterol in people. Pope said he proposed that the American Egg Board (AEB) and UEP jointly establish what became the Egg Nutrition Center (ENC).

The center is funded by AEB and pursues an AEB research platform while staffed and managed by UEP. It works to demonstrate the health and nutrition benefits of eggs and was largely the single authority to not only disconnect the dietary-serum cholesterol link but, in recent years, has shown that egg consumption actually has a positive impact on heart health as well as eye and mental health and weight control.

ENC not only addressed the cholesterol issue; it completely repositioned the egg's image, Pope said. "We could not have done this without ENC," Pope said.

Pope also said UEP's government relations strategy has been particularly effective.

The organization had a one-person office in Washington, D.C., in the 1970s that had minimal success. Pope said he read an article in Fortune magazine about how DuPont Co., rather than doing its own lobbying, retained an independent law firm to represent it in Washington, and in 1978, he was introduced to Michael McLeod, who was establishing just such a firm: today McLeod, Watkinson & Miller.

"The Chicago Board of Trade was his first client, and we were his second," Pope said, calling UEP's government affairs work "an extraordinary program with minimal cost."

Pope said formation of the United Egg Assn. (UEA)--an association within UEP representing egg exporters (U.S. Egg Marketers), breakers/further-processors, non-producer packers and allied industry--brought together all sectors of the egg industry in one structure to communicate on and coordinate matters of mutual interest.

The concept has eliminated questions about what each sector is doing and why, he said. UEA and UEP put "everyone on the same page and has contributed to an industry-wide harmony," he said.

Living with science

However, more than anything, Pope said UEP's pioneering work in animal welfare is the cap for his career.

He recalled how in the early 1980s, UEP wrote animal welfare guidelines based only and simply on how producers took care of their birds at the time. It prompted "heated debate in the industry, and they were just milk toast guidelines," he said.

Accordingly, in the late 1990s, when he saw the extent to which government-imposed regulations in Europe were driving egg producers either into costly production systems or out of business and suggested that U.S. egg producers needed to proactively write scientifically solid new standards for the care and well-being of layers, he said he expected a war with UEP's board--especially when he said the guidelines needed to be developed by a committee of scientists with no producer interference.

"It was pretty scary," he said. "We had no idea what (the scientific advisory committee) would come back with. We had no idea if they would come back with cages or no cages, but the board said, 'Go ahead. We have to live with science.'"

It was scary again when the committee came back and recommended the new program, but the board not only endorsed it (Feedstuffs, Oct. 18, 2000) but went further and adopted independent audits and certification before producers could be in compliance with

the guidelines.

Pope said the program continues to evolve as the science supporting it evolves, and the board continues to adopt even higher standards of welfare. "It has forever changed the way U.S. producers produce eggs," he said.

However, it's "a fair program" UEP members have debated and affects every producer the same way, he said. "There has been tremendous buy-in."

The program covers about 85% of the nation's egg production.

Profit or shrink

In departing, Pope said the industry's biggest issue in the future will be profitability--"maintaining consistent returns year after year" rather than constant and rationalizing price cycles.

If the industry does not address consistent profitability, it will continue to shrink and consolidate and might mold into the broiler chicken industry model, with a few major packers or processors contracting egg production to farmers, he said.

Pope also said the egg industry--and all of animal agriculture--needs to make sure the public better understands "what we do" to be environmental stewards, practice good husbandry and produce safe food. Otherwise, he said activist groups will go "state by state and store by store and will continue to pick us off."

Key Points

- * Despite agendas, process, Pope held top job at UEP for 32 years.
- * Industry made "painful adjustments" instrumental to progress.
- * Supply management, national brand critical to future.

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